

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 CU-04

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R 091643Z JAN 74

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 8300

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

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AMEMBASSY STOCKHOLM

USMISSION NATO

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E.O. 11652: N/A

TAGS: EGEN PINT DA

SUBJECT: GOVERNMENT PROGRAM PRESENTED TO HOSTILE
PARLIAMENT

REF: COPENHAGEN 21

SUMMARY: PRIME MINISTER POUL HARTLING GAVE CONSOLIDATED
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STATEMENT OF HIS GOVERNMENT'S PROGRAM TO FOLKETING

JANUARY 8. EMPHASIS OF PROGRAM WAS ON ECONOMIC MEASURES TO REDUCE INFLATIONARY PRESSURES AND MITIGATE BALANCE OF PAYMENTS DEFICIT. IMMEDIATE MEASURES PROPOSED WERE PRICE AND WAGE CONTROLS, SLOWER GROWTH IN PUBLIC SPENDING, AND POSTPONEMENT OF VARIOUS REFORM PROGRAMS. HARTLING PLEDGED UNCHANGED FOREIGN POLICY, WITH EMPHASIS ON EC, UN AND NATO. IMMEDIATE PARLIAMENTARY AND LABOR UNION REACTION WAS STRONGLY NEGATIVE. UNLESS ACCEPTABLE COMPROMISES ARE DEVELOPED, NEW ELECTIONS MAY BE IN THE OFFING. END SUMMARY.

1. PRIME MINISTER POUL HARTLING PRESENTED HIS NEW MINORITY GOVERNMENT'S PLATFORM TO RECONVENED FOLKETING ON JANUARY 8. HE EMPHASIZED THAT HE HAD NOT SECURED PARLIAMENTARY SUPPORT IN ADVANCE FOR ANY ASPECT OF PROGRAM, WHICH WAS SUBMITTED FOR OPEN DEBATE ON THE FLOOR.

2. HARTLING PLEDGED UNCHANGED FOREIGN POLICY, IN LINE WITH PREVIOUS POSITIONS, WHICH HAD BROAD PARLIAMENTARY SUPPORT. THIS APPLIED TO EC POLICY AS ESTABLISHED BY PREVIOUS GOVERNMENT AND AT COPENHAGEN SUMMIT MEETING, CONTINUED AND EXPANDED NORDIC COOPERATION, WITH UN AS CENTERPOINT OF DANISH FOREIGN POLICY, AND NATO AS BASIS FOR DANISH SECURITY POLICY. PM PRAISED NATO AS NATURAL FORUM FOR CLOSE AND CONFIDENT COOPERATION WITH "OUR PARTNERS", US AND CANADA. HARTLING ALSO ENDORSED COMPROMISE DEFENSE PROGRAM OF 1973.

3. ON ECONOMIC POLICY, HARTLING SAID THAT ALREADY EXISTING NEED FOR MEASURES TO PROVIDE EQUILIBRIUM AND TO SLOW INFLATION HAD BEEN MADE MORE URGENT BY ENERGY CRISIS. HE HOPED SUPPLY SHORTAGE WOULD BE SHORT LIVED BUT COST RISES WOULD WEAKEN DANISH TERMS OF TRADE BY 12-13 PERCENT IN 1974 AND LEAD TO SHARP DETERIORATION IN BALANCE OF PAYMENTS. EXTRAORDINARY MEASURES WERE REQUIRED TO PREVENT RETURN TO POST-KOREAN CONDITIONS, WHEN DENMARK HAD PROLONGED PERIOD OF SLOW GROWTH AND HIGH UNEMPLOYMENT.

4. IN CONNECTION WITH RECENT DISCOUNT RISE FROM 8 TO 9 PERCENT, RESTRICTIONS HAD ALREADY BEEN IMPOSED ON ACCESS LIMITED OFFICIAL USE

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TO FOREIGN BUSINESS LOANS, AND GOVERNMENT HAD INITIAITED TALKS WITH LOCAL GOVERNMENTS TO RESTRICT THEIR LOAN FINANCING. IN ADDITION, THE GOVERNMENT WOULD SUBMIT LEGISLATION (A) ON 8-WEEK PRICE FREEZE PENDING PREPARATION OF REVISED PRICE CONTROL LEGISLATION; (B) ON A CASH TAX REFUND TO SUBSTITUTE FOR ANTICIPATED AUTOMATIC WAGE ESCALATION NEXT MARCH-APRIL; (C) ON A DIVIDEND CEILING; AND (D) ON A REDUCED RATE OF GROWTH OF PUBLIC BUDGETS.

HARTLING INDICATED THAT FY 75 BUDGET BILL WOULD BE REDUCED BY 5 PERCENT ON EXPENDITURE SIDE BUT IN LATER TV COMMENT CONCEDED THAT WAGE RISE SUBSTITUTION AND HOUSE TAX RELIEF MEASURES MIGHT LEAD TO BALANCED RATHER THAN SURPLUS BUDGET.

5. REGARDING HOUSE TAX PROBLEM WHICH LED TO FALL OF PREVIOUS GOVERNMENT, HARTLING PROPOSED MEASURES WHICH WOULD FREEZE INCOME TAXES ON HOME VALUES AT 1973 LEVEL AND POSTPONE SCHEDULED REVISION OF RENT LEGISLATION. HE WOULD REDUCE COUNTY LAND TAX TO COUNTER RISING LAND VALUES AND HE PLANS TO ABOLISH TAXATION ON FARMLAND AND OTHER LAND USED FOR PRODUCTIVE PURPOSES. HE WOULD ALSO REVISE RENT SUBSIDY LEGISLATION AS PART OF PROGRAM TO COORDINATE SOCIAL BENEFITS WITH INCOME TAXES AND IN THE MEANTIME WOULD EXERCISE CAUTION IN GRANTING SUPPORT OF NON-PROFIT HOUSING DEVELOPMENTS.

6. HARTLING TIED OVERALL INVESTMENT PROBLEM TO ENERGY SITUATION. WHILE GOVERNMENT WOULD LIKE CURRENT FISCAL AUSTERITY TO PERMIT LATER EASING OF CREDIT POLICY TO BENEFIT BUSINESS INVESTMENT, IT REALIZED THAT ENERGY CRISIS HAD TURNED EMPHASIS TOWARD NEED FOR INVESTMENT IN DEVELOPING ALTERNATIVE SOURCES OF ENERGY AND THAT, THEREFORE, IT MIGHT BECOME NECESSARY TO CURTAIL INVESTMENT IN OTHER AREAS, ESPECIALLY THOSE WHERE INCREASED ENERGY CONSUMPTION MIGHT RESULT.

7. HARTLING PLEDGED REFORMS TO SIMPLIFY INCOME TAXATION AND PROMOTE PRIVATE SAVINGS. HE ENDORSED PREVIOUSLY SUBMITTED SOCIAL REFORMS. IN EDUCATIONAL AREA, GOVERNMENT CONTEMPLATES DOWNWARD REVISION OF STUDENT GRANTS AND STRICTER ENTRANCE REQUIREMENTS FOR UNIVERSITIES AND COLLEGES.

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8. COMMENT: HARTLING'S PROGRAM, PARTICULARLY ATTEMPT TO REPLACE AUTOMATIC COST OF LIVING RASIES WITH CASH BENEFITS, HAS MET WITH ALMOST UNIVERSAL CRITICISM IN PARLIAMENT AND MILITANT REJECTION BY THE POWERFUL LABOR FEDERATION (LO). ONLY SMALL CHRISTIAN PEOPLES PARTY IS PREPARED SUPPORT GOVERNMENT ON THIS PROPOSAL AND SOCIALIST PEOPLES PARTY HAS ALREADY INTRODUCED CRITICAL RESOLUTION WHICH, IF PASSED, COULD BRING DOWN NEW GOVERNMENT BEFORE IT HAS HAD A READY CHANCE TO GET STARTED. OTHER PARTIES APPEAR RELUCTANT TO BRING HARTLING GOVERNMENT DOWN SO QUICKLY, HOWEVER, AND PARLIAMENTARY MANEUVERINGS ARE CURRENTLY IN TRAIN TO POSTPONE MOMENT OF TRUTH, AT LEAST FOR A SHORT WHILE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, LAW, BALANCE OF PAYMENTS, ELECTIONS, PRICE CONTROLS, FOREIGN POLICY POSITION, LOANS, MEETINGS, TAX RELIEF, TELEVISION COMMENTS, INVESTME NTS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974COPENH00059
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740154/aaaabyyq.tel
Line Count: 169
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: COPENHAGEN 21
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by kelleyw0>; APPROVED <25 APR 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNMENT PROGRAM PRESENTED TO HOSTILE PARLIAMENT
TAGS: EGEN, PINT, DA, (HARTLING, POUL)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005